

Building a Firewall of Customer Loyalty

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Tia, who turned ten yesterday, had many plans for her birthday. She wanted her tenth birthday to be a memorable one. Her parents were planning to make it special birthday for her. The lockdown because of Covid-19 situation, however, put paid to their plans.

Tia's parents had planned to celebrate her birthday at the Gaming Zone, a nearby PlayStation that had come up recently in a neighborhood mall. The mall was choc-a-bloc full and was one among many such places that were vying for the attention of kids such as Tia and her parents to be the preferred location to celebrate special occasions. There were other such big establishments where Tia was a regular visitor over the last year and more, including Gaming Zone.

Tia and her parents were now resigned to the fact that her tenth birthday would turn out be just another day. At 5:10 in the evening, the doorbell rang, and her father opened the door. To his surprise he saw a delivery person holding a bunch of balloons and a customized cake with Tia's name on the cake. There was also a small gift and a letter wishing her a very happy birthday. Tia was awestruck to see this and started jumping with joy. Tia's parents could not thank the delivery man enough for this sweet gesture. Her father posted a thank you message on Gaming Zone's Facebook page with the image of gifts and the smile it brought on their daughter's face.

We have come across many such examples of companies that go the extra mile to take care of their customer and create a memorable experience for them. Gaming Zone is one such company which has raised the bar by their initiative and willingness to take care of their customers and make them feel like they are valued customers. This one gesture by Gaming Zone has won them a customer for lifetime and earned them goodwill with the extended group of friends and family members and others who will hear this story from Tia as well as her parents for a long time to come.

In today's constantly changing world, where products and services have a very short shelf life, it has become very important for companies to reinvent themselves. Customers have plethora of options that results in shrinkage of their recall memory. We have seen several examples where a small company, on the strength of its superior customer services, has made a Goliath

struggle by virtue of the way they engage with their customers or due to disruption in technology that helps them to be nimbler in their interactions with their customers.

For companies to thrive, they should strive to have a more meaningful relationships with their customers. Companies should invest in building trust by nurturing and developing relationships with their customers over the long haul.

To build a lasting relationship, it is important to understand Customer Lifetime Value (CLV) to predict how much revenue can be generated over the course of Customer Relationship. CLV is the amount of value a customer contributes to the company over the lifetime of the relationship that the customer has with the company.

There are various parameters of calculating the cumulative value of one customer. They are:

- Base Profit: profit from selling the base product
- Revenue Growth: increase in the volume sold due to increasing number of times the customer visits the supplier
- Referral: more people coming in through word-of-mouth from the happy customer
- Cross-sell/Up-sell: selling related products to the customer
- Cost effectiveness: reaching economies of scale as the cost of serving the customer goes down over a period due to increasing volumes and consequent efficiencies
- Price Premium: loyal customer is ready to pay more; hence the company has the opportunity to charge extra

Once the CLV is captured, the company can design a program to engage and create a “wow factor” for their chosen customers. Some of the benefits which can be offered based on understanding the CLV are:

- Personalized communication
- Offering loyalty discounts
- Giving special experience

Customer loyalty programs are not only restricted to B2C market but is equally important in B2B organisations as well. While B2B customers would not have the same life events as B2C customers (such as birthdays, marriage anniversaries, etc.), there could be several avenues for loyalty programs to be offered to business customers. The following are some examples of life events in B2B organisations through which supplier firm can meaningfully engage with customer firm:

- Quarterly results
- New product launch

- Capacity expansion
- Product diversification
- Geographic diversification
- Management change
- Mergers & Acquisitions

Most companies forget to keep updating their understanding of what the customer wants, as the needs of the customer change. They do not have the intelligence to capture the changing needs of the customer. This may result in loss of the customer to more agile competitors. CRM should be designed in such a way that it extracts the maximum lifetime value of the customer and drive customer relationships. Companies need to have a deeper understanding of the life events of their customers, which could result in better sales and profitability.

To summarize, the three basic principles of building a firewall of customer loyalty are:

1. Proactively manage the key events in a customers' lifetime
2. Create superior experience and
3. Build loyalty with customers in a meaningful manner

As Steve Jobs had said, "Get closer than ever to your customer, so close that you tell them what they need well before they realize it themselves."